

<p style="text-align: center;">2003 - 2004 ANNUAL REPORT</p>
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GENERAL FUND EXPENDITURE PERFORMANCE

Contents

The General Fund Expenditure Performance section includes the following elements:

- Overview
 - Budget to Actual Variances
 - Year-End Estimate to Actual Variances
 - Review of General Fund Expenditure Performance
 - Discussion of Significant Departmental Variances and Other Issues
 - Highlights of Non-Departmental Expenditures and Variances
 - Review of Overtime Expenditures Performance
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Definitions

In the discussions contained in this document, the following definitions are used:

Budget – refers to 2003-2004 appropriations as modified by Council through June 30, 2004, plus 2002-2003 carryover encumbrances.

Expenditure – refers to actual 2003-2004 expenses plus encumbrances.

Year-End Estimate – refers to the City Manager's Budget Office's projection of year-end expenditures and encumbrances that were used to develop the General Fund beginning fund balance estimate used in the 2004-2005 Adopted Budget.

Overview

As shown in the following table, General Fund expenditures and encumbrances through June 30, 2004 totaled \$681.2 million. This expenditure total was down \$38.8 million, or 5.4%, from the June 2003 level of \$720.0 million, and was \$151.6 million below (down 18.2%) the modified budget total of \$832.8 million. Excluding \$100.8 million in reserves, the true savings were \$50.8 million (6.9%).

<p align="center">2003-2004 ANNUAL REPORT</p>

GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Overview (Cont'd.)

TABLE B
2003-2004
BUDGET TO ACTUAL VARIANCES
(In 000s)

Category	Modified Budget	Actual	Variance	% Variance
<i>Personal Services</i>	\$ 489,453	\$ 485,475	3,978	0.8%
<i>Non-Personal/Equipment/Other</i>	88,117	84,790	3,327	3.8%
<i>City-Wide Expenses</i>	117,052	86,528	30,524	26.1%
<i>Capital Contributions</i>	30,753	17,824	12,929	42.0%
<i>Transfers</i>	6,639	6,559	80	1.2%
<i>Reserves</i>	100,779	-	100,779	100.0%
TOTAL GENERAL FUND	\$ 832,793	\$ 681,176	\$ 151,617	18.2%

The expenditure savings achieved represents by far the largest element of the General Fund's total \$153.4 million ending fund balance.

Due to the projected revenue shortfall as well as State budget balancing decisions made in August 2003, for the second year in a row, departments were required to meet reduction targets and submitted Cost/Position Management plans. Appropriations were decreased during the Mid-Year Budget Review to reflect these reduction targets. Even with reduced budgets, as reflected in Table D found later in this section, significant departmental savings were still achieved by year-end. Those departments with significant variances beyond those expected are discussed later in this document.

As can be seen in the above chart, the largest single category of savings occurred, as planned, in the Reserves category (\$100.8 million). The most significant reserve categories remaining at year-end included the following: Economic Uncertainty Reserve (\$15.8 million); Workers' Compensation Reserve (\$10.0 million); 2004-2005 Future Deficit Reserve (\$16.5 million); Salaries and Benefits Reserve (\$12.9 million); Future Capital Projects (FF&E) Reserve (\$6.8 million); and Development-Related Activities Reserves (\$3.5 million). Additional, detailed discussion of the reserve status can be found later in this section of the document.

Personal Services savings of \$4.0 million totaled only 0.8%. This relatively small savings level was very close to the levels experienced in recent years: 2002-2003 at 1.1%; 2001-2002 at 1.8%; 2000-2001 at 2.1%; 1999-2000 at 1.5%; and 1998-1999 level at 1.3%.

2003-2004 ANNUAL REPORT

GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Overview (Cont'd.)

The very small savings level also reflects in part the fact that prospective savings were removed from departmental budgets during the year as part of the Cost/Position Management Plan process. The majority of personal services savings that were achieved at year-end were generated by three departments: Planning, Building, and Code Enforcement (\$798,000); Police (\$759,000); and Information Technology (\$285,000). The Personal Services savings in all departments were primarily generated from vacant positions.

General Fund Non-Personal/Equipment/Other¹ expenditures and encumbrances ended the year at \$84.8 million, generating savings from the budgeted level of approximately \$3.3 million (3.8%). A portion of these savings (\$508,000) was rebudgeted into 2004-2005 as part of the Adopted Operating Budget. The majority of departmental rebudgets were generated by the following departments: Finance (\$228,000); Police (\$136,000); Economic Development (\$60,000); Transportation (\$40,000); and Library for its grants program (\$36,000). After factoring in these rebudgets, adjusted Non-Personal/Equipment/Other savings totals approximately \$2.8 million (3.1%).

The significant variances in the City-Wide Expenses and Capital Contributions categories are discussed in *Highlights of Non-Departmental Expenditures and Variances* that can be found later in this section.

In formulating the beginning fund balance estimate included in the 2004-2005 Adopted Budget, the Budget Office utilized projections for year-end expenditure savings. As shown in the following Table C, the actual General Fund Expenditures, Transfers, and Reserves of \$681.2 million were \$23.8 million below (3.4%) the estimated level. This performance, however, primarily reflects a number of projects in both City-Wide Expenses and Capital Contributions that were not completed as planned and are now recommended to be rebudgeted as a part of this document. Included in this variance is a net \$2.7 million of Fee Program related net expenditure and revenue savings that is recommended to be added to the Fee Reserves to reconcile actual fee program expenditures/Revenues for 2003-2004.

Nearly all the year-end fund balance variance was in the expenditures subcategory, which was approximately \$24.0 million below (3.4%) the budgeted estimate of \$698.6 million. After considering recommended rebudgets/technical adjustments of \$10.4 million, the net variance from the budgeted estimate was only \$13.6 million (1.9%) of the estimated expenditure subtotal.

¹ The "Other" category expenditures are primarily comprised of budgets for the Library Department grants program and the Parks, Recreation and Neighborhood Services fee activities program.

<p align="center">2003 - 2004 ANNUAL REPORT</p>

GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Overview (Cont'd.)

TABLE C
2003-2004
BUDGETED ESTIMATE TO ACTUAL VARIANCES
(In 000s)

Category	Estimate	Actual	Variance	% Variance
<i>Expenditures</i>	\$ 698,642	\$ 674,617	24,025	3.4%
<i>Transfers</i>	6,639	6,559	80	1.2%
<i>Reserves</i>	<u>(305)</u>	<u>-</u>	<u>(305)</u>	N/A
<i>Total</i>	\$ 704,976	\$ 681,176	23,800	3.4%

Review of General Fund Expenditure Performance

Departmental costs (\$570.3 million) represented approximately 83.7% of total 2003-2004 General Fund expenditures. As can be seen in Table D, all departments with the exception of Public Works remained within their total budget allocation and expended a cumulative 98.7% of their budgets. The Public Works Department personal services appropriation was over-expended at year-end and requires ratification. This variance was entirely the result of a redistribution of Public Works costs during the year-end closing process. The reallocation of these costs was based on a consultant study designed to more accurately distribute costs and respond to a finding of the outside City auditors. Of the City departments/offices, sixteen had expenditure savings of less than 5.0% and four had savings between 5.0-10.0%.

Those departments with General Fund expenditure variances over 5.0% and a minimum value of \$400,000 are discussed in detail in the following section. In addition, the year-end status of expenditures for both the Police and Fire Departments are also summarized.

Non-departmental expenditures totaled \$111.0 million, or 16.3% of the total 2003-2004 General Fund expenditures. In this category, 71.9% of the amount budgeted (excluding reserves) was expended. The reserves represent the largest portion of the unexpended funds and, as planned, are being carried over or utilized in 2004-2005. It is also important to note that the majority of savings in the City-Wide and Capital Contributions categories have been or will be rebudgeted to the new fiscal year for their intended uses.

2003-2004 ANNUAL REPORT
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GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Review of General Fund Expenditure Performance (Cont'd.)

TABLE D
TOTAL GENERAL FUND EXPENDITURES (In \$000s)

Departmental	2003-2004		Variance	% Variance
	Modified Budget	2003-2004 Expenditures		
City Attorney	\$ 11,948	\$ 11,910	38	0.3%
City Auditor	2,301	2,235	66	2.9%
City Clerk	1,946	1,879	67	3.4%
City Manager	6,662	6,467	195	2.9%
Economic Development	2,051	1,927	124	6.0%
Emergency Services	270	263	7	2.6%
Employee Services	6,272	6,144	128	2.0%
Environmental Services	1,688	1,573	115	6.8%
Finance	8,392	7,927	465	5.5%
Fire	113,350	113,132	218	0.2%
General Services	33,613	33,140	473	1.4%
Independent Police Auditor	662	653	9	1.4%
Information Technology	13,869	13,561	308	2.2%
Library	24,239	24,149	90	0.4%
Mayor & City Council	6,960	5,966	994	14.3%
Parks, Recreation & Neighborhood Services	47,649	46,963	686	1.4%
Planning, Building & Code Enforcement	31,082	29,612	1,470	4.7%
Police	222,585	221,383	1,202	0.5%
Public Works	7,616	7,765	(149)	(2.0%)
Redevelopment Agency	1,657	1,346	311	18.8%
Transportation	32,758	32,270	488	1.5%
Subtotal	577,570	570,265	7,305	1.3%
Non-Departmental				
City-Wide Expenses	117,052	86,528	30,524	26.1%
Capital Contributions	30,753	17,824	12,929	42.0%
Transfers	6,639	6,559	80	1.2%
Earmarked Reserves	78,612	-	78,612	100.0%
Contingency Reserve	22,167	-	22,167	100.0%
Subtotal	255,223	110,911	144,312	56.5%
TOTALS	\$ 832,793	\$ 681,176	151,617	18.2%

<p style="text-align: center;">2003-2004 ANNUAL REPORT</p>
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GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Discussion of Significant Variances by Department

- *Finance*

The Finance Department expended 94.5% of its General Fund Budget with resulting savings of \$465,000. Personal Services expenditures were 2.4% below (down \$179,000) budgeted levels as a result of salary savings due to vacancies throughout the year. Non-Personal/Equipment expenditures were 26.6% below (down \$286,000) budgeted levels. These savings were mainly attributed to the Business Tax Amnesty Program being postponed from 2003-2004 to 2004-2005 due to the success of the Lead Identification project. In 2003-2004, Finance Department staff focused efforts on the Business Information Management System (BIMS) program, which identifies non-compliant business tax customers and collects taxes due the City including penalties and interest. Conducting an Amnesty Program sets the framework for waiving of penalties and interest resulting from business tax non-compliance, leading to an increase in compliance with the Business Tax Ordinance and collection of business taxes. The Amnesty Program was re-budgeted to 2004-2005 as part of Adopted Operating Budget.

- *Fire*

At the end of 2004-2005, the Fire Department had expended 99.8% of its total modified budget of \$113.4 million, with resulting savings of \$218,000. The Personal Services appropriation of \$106.9 million was overall 99.9% expended, with savings of \$12,000. This savings was only possible due to the fact that the Department received a \$1.9 million increase in the Fire Department Personal Services appropriation during the 2003-2004 year-end clean-up process. Overtime expenditures of \$10.0 million, however, ended the year \$2.2 million above the modified budget level of \$7.8 million. Historically, overtime usage is largely attributed to fulfilling minimum staffing requirements. This year, higher than estimated overtime expenditures were due to delays in the paramedic accreditation training program and a higher than budgeted level of sworn absences experienced during the year.

The Fire Department ended last fiscal year with a total of 213 filled paramedics (128 front-line and 85 support), the highest level in the Department's history. With the recent paramedic accreditation program, the Department is now short only 19 Firefighter Paramedics of the 147 that are necessary to fully staff all apparatus. In February 2003, the Department initiated its second Paramedic Academy consisting of 16 Firefighters. (In March 2003, the accelerated accreditation program for the July 2002 class consisting of 13 Firefighter Paramedics resulted in an increase in the number of front-line Paramedics.)

<p style="text-align: center;">2003 - 2004 ANNUAL REPORT</p>
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GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Discussion of Significant Variances by Department (Cont'd.)

- *Fire (Cont'd.)*

The Department enrolled 16 firefighters into the Santa Clara Paramedic Training Program. The 16 firefighters have completed the Paramedic Academy, and by May 2004, twelve firefighters completed their Paramedic training and accreditation. All 16 were, however, expected to be accredited in December 2003. Of the remaining four firefighters, one is projected to complete accreditation in November 2004, one has officially withdrawn from the program, and the remaining two are on extended mentorship's program and will be evaluated over the next six months for continuation in the accreditation process. The City Manager's Office continues to work with the Department on long-term solutions to fill front-line paramedic staffing needs.

The Department's Non-Personal/Equipment budget was 96.8% expended, with year-end savings of \$205,000. A significant portion of the Non-Personal/Equipment savings (\$163,000 or 94.2%) reflects savings in utilities and vehicle operating expenditures where both budget and expenses are managed centrally.

- *Planning, Building and Code Enforcement*

The Planning, Building and Code Enforcement Department (PBCE) expended 95.3% of its General Fund budget, with resulting savings of \$1.5 million. By budget category, \$798,000 of the savings was in Personal Services and \$672,000 in Non-Personal/Equipment. The majority of the Personal Services savings was in the Community Code Enforcement Core Service (\$326,000) and the fee program (\$356,000) due to vacant positions. The savings in the fee program are recommended in this document to be added to the Fee Reserves to reconcile actual fee program expenditures for 2003-2004.

A large portion of the Non-Personal/Equipment savings (\$259,200) was anticipated and rebudgeted to 2004-2005. The following projects were included in that rebudget amount: Code Enforcement Grant (\$196,500), website consultant (\$55,000), and modular furniture and communications equipment for building staff added mid-year (\$7,700). In addition, a portion of the savings in Non-Personal/Equipment is the result of the planned decrease in expenditures in development-related areas (\$125,000).

<p style="text-align: center;">2003 - 2004 ANNUAL REPORT</p>
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GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Discussion of Significant Variances by Department (Cont'd.)

- *Planning, Building and Code Enforcement (Cont'd.)*

When comparing the program budgets with the actual costs for Building and Planning Permits, an excess of \$406,000 and \$233,000 respectively results. These excesses are proposed in this document to be either added to the existing reserves for development-related activities or used to ensure that enhanced service and regular process cycle time targets are met and that the City continues its commitment to improve customer service. Adjustments proposed in the Building program include the addition of two permanent Associate Engineer positions and a restructuring of the building inspection management function. In the Planning program, the addition of two temporary Planner positions is proposed to address large projects that were received in June.

- *Police*

The Police Department expended 99.5% of its total budget with resulting savings of \$1.2 million. Approximately \$759,000 of these savings was in the Personal Services category. Overtime expenditures of \$5.8 million at year-end were well (21.0%) below the modified budget of \$7.3 million. Implementation of Department guidelines on overtime usage and proactive management of the overtime budget enabled the Department to keep expenditures below its allocation by year-end. The Department's compensatory time balance was 198,888 hours at the end of fiscal year 2003-2004. This balance is 9.3% below the 2002-2003 year-end balance of 219,395 hours. In accordance with the Memorandum of Agreement (MOA) with the Police Officers Association, sworn personnel are able to maintain 240 hours of compensatory time. Sworn personnel with compensatory time balances that exceed 240 hours at the end of the calendar year are required to reduce those balances to within the 240-hour limit within six months. All Police sworn personnel were able to meet the MOA requirements this year.

The Department's Non-Personal/Equipment budget was 97.4% expended, with savings of about \$443,000, notably savings in travel and training. About \$136,000 of the Non-Personal/Equipment savings was rebudgeted to 2004-2005 as part of the Adopted Budget to complete grant-related activities for the interoperability project and child interview center.

<p align="center">2003 - 2004 ANNUAL REPORT</p>

GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Highlights of Non-Departmental Expenditures and Variances

The non-departmental categories consist of City-Wide Expenses, Capital Contributions, Transfers from the General Fund, Earmarked Reserves, and the Contingency Reserve. An overview of the expenditure performance in these categories is provided below:

TABLE E
2003-2004
NON-DEPARTMENTAL GENERAL FUND EXPENDITURES
(In \$000s)

Category	Modified Budget	Actual	Variance	% Variance
<i>City-Wide Expenses</i>	\$ 117,052	\$ 86,528	30,524	26.1%
<i>Capital Contributions</i>	30,753	17,824	12,929	42.0%
<i>Transfers</i>	6,639	6,559	80	1.2%
<i>Earmarked Reserves</i>	78,612	-	78,612	100.0%
<i>Contingency Reserve</i>	22,167	-	22,167	100.0%
Total	\$ 255,223	\$ 110,911	144,312	56.5%

- *City-Wide Expenses*

A total of 73.9% of the General Fund appropriation for City-Wide Expenses was expended, resulting in savings of \$30.5 million. Nearly three-quarters of this amount, \$21.5 million (70.5%) was rebudgeted as part of the 2004-2005 Adopted Budget. Additional net adjustments of funds totaling \$5.6 million are also recommended as a result of the year-end review, including additional rebudgets, downward adjustments to those appropriations that did not generate the amount of savings required to support rebudgets already approved and revenue-related increases. Details of additional individual projects recommended for rebudget, rebudget adjustments and other appropriation adjustments are described in Section III of this report.

After accounting for only the rebudgets already approved (\$21.5 million), and those recommended in this report (\$5.6 million, net of other adjustments), net savings in the City-Wide Expenses category totals approximately \$3.4 million (11.1%). The largest amounts of savings were realized in the following areas:

2003-2004 ANNUAL REPORT

GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Highlights of Non-Departmental Expenditures and Variances (Cont'd.)

- *City-Wide Expenses (Cont'd.)*

Economic & Neighborhood Development – 2003-2004 budget to actual savings realized in this category were \$3.13 million. The 2004-2005 Adopted Budget included rebudgets totaling \$3.0 million, the most significant of which included \$1.1 million for Evergreen Smart Growth Strategy, \$750,000 for Low Income Fund, \$560,000 for Coyote Valley Specific Plan, and \$313,000 for Neighborhood Strip Retail Revitalization. After accounting for all rebudgets and adjustments, adjusted net savings, therefore, in this category totals \$200,000. The largest amounts of this actual savings occurred in Integrated Development Tracking System (\$81,000) and in small amounts in various other appropriations.

Environmental & Utilities Services – 2003-2004 budget to actual savings realized in this category were \$154,000. They occurred in IDC Garbage Disposal Fees (\$147,000) and \$7,000 in payment of the City's share of Storm Fees.

Public Safety – 2003-2004 budget to actual savings realized in this category were \$8.2 million, almost all of which is being carried over to 2004-2005. The 2004-2005 Adopted Budget included rebudgets totaling \$7.9 million, the most significant of which included a Capital rebudget of \$4.8 million for the Interoperable Communication Grant, \$1.0 million for the Automated Information System, and \$990,000 for the Metropolitan Medical Task Force. Additional net adjustments are recommended as part of this report totaling \$214,000, including the Internet Crimes Against Children grant (\$201,000). After accounting for all rebudgets, therefore, adjusted net savings in this category totaled only \$403,000. The largest amounts of net savings occurred in the Police Officers Professional Liability Insurance Program (\$188,000), Police Evidence Warehouse Relocation (\$118,000), and small amounts of savings in several other appropriations.

Recreation and Cultural Services – 2003-2004 budget to actual savings realized in this category were \$5.7 million, most of which were also being carried over to 2004-2005. The 2004-2005 Adopted Budget included rebudgets totaling \$3.4 million, the most significant of which included \$722,000 for the Animal Care and Service Program and \$827,000 for the Neighborhood Revitalization Strategy. Additional net adjustments are recommended as part of this report totaling \$1.9 million, which include the Silicon Valley Bowl Reserve (\$1.5 million), which will be returned to the Contingency Reserve from which it was originally appropriated, Packard Foundation for Education (\$93,000), and Rancho del Pueblo Golf Course Debt Service (\$111,000). After accounting for all rebudgets, adjusted net savings in this category totaled \$948,000. The largest amounts of net savings occurred in San José State University Foundation (\$87,000), Homework Centers (\$62,000) and small amounts of savings in several other appropriations.

2003-2004 ANNUAL REPORT

GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Highlights of Non-Departmental Expenditures and Variances (Cont'd.)

- *City-Wide Expenses (Cont'd.)*

Transportation Services – 2003-2004 budget to actual savings realized in this category were \$579,000 and primarily reflect savings in the Sidewalk Fund (\$555,000), along with small amounts of savings in several other appropriations.

Strategic Support – 2003-2004 budget to actual savings realized in this category were \$12.4 million. The 2004-2005 Adopted Budget included rebudgets totaling \$7.66 million, the most significant of which included \$6.0 million for General Liability Claims, \$481,000 for Revenue Enhancement/Consulting Services, and \$297,000 for the Payroll/Human Resources Project. Additional net adjustments are recommended as part of this report totaling \$3.75 million, which includes \$2.47 million for Workers' Compensation Claims. After accounting for all rebudgets, therefore, adjusted net savings in this category totaled \$1.0 million. The largest amounts of net savings were for the Customer Service and Information Center (\$275,000), Banking Services (\$138,000), General Employee Tuition (\$57,000), along with smaller amounts in various other appropriations.

- *Capital Contributions*

In 2003-2004, the General Fund provided funding totaling \$30.8 million for capital projects. Of this amount, approximately \$12.9 million was unexpended at year-end. The projects with the largest unexpended balances included:

<u>Capital Projects</u>	<u>(\$000s)</u>
Fire Apparatus Replacement and Repair	1,345
Animal Shelter Facility Expansion	1,000
Tower Lane Improvements	1,053
Street Reconstruction Project	932
Southside Community Center Computer Portable	663
Hoffman/Via Monte Neighborhood Center	650
Tamien Station Skateboard Park Development	630
Park and Recreation Bond Projects	588
Citywide Sidewalk Repairs	517
Los Lagos Golf Course	481
Alviso Education Center	435
Fire Training Truck/Engine (Tools & Equipment)	301
All Other Projects	4,335
Total Unexpended Capital Projects	\$ 12,930

<p style="text-align: center;">2003-2004 ANNUAL REPORT</p>
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GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Highlights of Non-Departmental Expenditures and Variances (Cont'd.)

- *Capital Contributions (Cont'd.)*

Of the \$12.9 million in unexpended funds, a large portion (\$10.5 million) was rebudgeted as part of the 2004-2005 Adopted Budget. An additional net total of \$1.3 million in rebudget adjustments are recommended in this report. After adjusting for these rebudgets, the net savings in the General Fund Capital category is \$1.1 million, which was generated from over 40 projects city-wide.

- *Transfers*

Actual Transfers to other funds totaled \$6.6 million with all transfers but one being completed as budgeted. The transfer to the Gift Trust Fund for Library gifts was not necessary and did not occur as gifts are accounted for directly in that fund.

- *Reserves*

General Fund Reserve categories include Earmarked Reserves and the Contingency Reserve. On June 30, 2004, the total Reserve balance was \$100.8 million. Of this amount, \$78.6 million represented Earmarked Reserves, the largest of which were the Economic Uncertainty Reserve (\$15.8 million); Workers' Compensation Reserve (\$10.0 million); Salaries and Benefits Reserve (\$12.9 million); 2004-2005 Future Deficit Reserve (\$16.5 million); Future Capital Projects (FF&E) Reserve (\$6.8 million); and Development-Related Activities Reserves (\$3.5 million).

A majority of the Earmarked Reserves were approved for rebudget to 2004-2005 (\$67.3 million) as part of the Adopted Budget and appropriated as reserves, or were used as solutions to the 2004-2005 General Fund shortfall.

At the end of the year, the General Fund Contingency Reserve balance was \$22.2 million. During 2003-2004, the Contingency Reserve decreased by a net total of approximately \$2.9 million from the Adopted Budget level of \$25.1 million. The following adjustments were approved during the year:

- A decrease of \$600,000 to provide an increase to the Hayes Mansion Conference Center Line of Credit in order to allow the Conference Center to remain open and operational while the City selects and completes negotiations with a new property manager.

<p style="text-align: center;">2003 - 2004 ANNUAL REPORT</p>
--

GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Highlights of Non-Departmental Expenditures and Variances (Cont'd.)

- *Reserves (Cont'd.)*
 - A decrease of \$1.5 million to provide or guarantee a letter of credit on behalf of the Silicon Valley Football Classic. None of this funding was actually required to be expended and the return of these funds to the Contingency Reserve is recommended in this document.
 - A decrease of \$100,000 to provide funding for an environmental impact report for the Almaden Youth Sports Complex.
 - A decrease of \$300,000 to provide funding for consultant services related to the cable television franchise renewal project.
 - A decrease of \$20,000 to provide additional funding for an evaluator that reviews and investigates complaints that are filed with the San José Elections Commission.
 - A decrease of \$250,000 to provide a Senior Staff home Loan to the newly hired City Clerk.
 - A decrease of \$150,000 to provide funding for the Tech Museum of Innovation to replace the heating, ventilation, and air conditioning (HVAC) system for McCabe Hall.

The year-end General Fund Contingency Reserve balance of \$22.2 million represented approximately 3% (the City Council policy level) of total budgeted expenditures (excluding encumbrances, the Contingency Reserve, and the Workers' Compensation Reserve). At the beginning of each year, the reserve is established to meet the City Council's reserve policy level of at least 3% of expenditures. During the year, however, the reserve level may drop below 3% if there are significant additions to General Fund expenditures, or if there are significant uses of the Contingency Reserve.

Review of Overtime Expenditure Performance

Throughout the fiscal year, the Administration closely monitors and reports on overtime expenditures in the Monthly Financial Reports. A review of the overtime performance has been included in this report to provide an overall reconciliation for the year and to address the City Council's interest in this particular category.

As approved by City Council in January, one of the budget control actions implemented by the Administration was to create procedures to have all overtime expenditures be personally pre-approved by department directors, and to require that overtime be used for only emergency or genuinely unavoidable purposes. With these controls in place, departments still cumulatively exceeded the General Fund overtime budget, mainly due to Fire Department overtime over-expenditures.

<p style="text-align: center;">2003-2004 ANNUAL REPORT</p>
--

GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Review of Overtime Expenditure Performance (Cont'd.)

While General Fund overtime expenditures in 2003-2004 represented only 3.5% of the total General Fund personal services, they do provide an important tool for departments to meet service demands. This is especially true given this City's long-standing philosophy of maintaining permanent staffing at the smallest level possible. Given the minimal staffing available, use of overtime is often the most cost efficient, or the only way that a department can respond to unforeseen variations in service requirements. For most departments, overtime is typically used to offset the impact of vacancies, to address increases in activity levels, to respond to seasonal workload increases, or to implement service improvements.

The 2003-2004 departmental overtime line-item expenditures in the General Fund and all other funds have been analyzed to ascertain whether departments remained within their overtime allocations and to identify the causes for any significant expenditures in excess of this allocation. Overages of any significant size occurred in only two departments.

General Services Department's overtime expenditures exceeded budget by \$66,000 (15.2%) primarily to offset the high vacancy rate in Fleet Management, ensuring repairs were completed to maintain public safety fleet availability and to meet Occupational Safety and Health Administration inspection requirements. In addition, overtime was used in Parks Maintenance and Facilities Management to provide holiday coverage, respond to emergencies after hours, and provide special event set-up services. Overtime expenditures were also utilized in the renovation of the Dr. Martin Luther King, Jr. Library.

The Fire Department's overtime expenditure exceeded budget by a large amount, \$2.3 million (29.1%). The Department's overtime usage was largely attributed to fulfilling minimum staffing requirements, notably for filling paramedic duty positions. Delays in the paramedic accreditation training program and a higher than budgeted number of sworn vacancies experienced in the Department contributed to the higher level of overtime usage. A detailed discussion of this matter is provided in *Discussion of Significant Variances by Department* that can be found earlier in this section.

The Police Department's overtime expenditures of \$5.8 million at year-end, conversely, were significantly (21.0%) below the modified budget of \$7.3 million. Implementation of Department guidelines on overtime usage and proactive management of the overtime budget were very successful and enabled the Department to keep expenditures well below its allocation by year-end. Significant savings in overtime usage were also realized in administrative functions and other non-emergency response activities.

2003-2004 ANNUAL REPORT

GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

Review of Overtime Expenditure Performance (Cont'd.)

TABLE F
2003-2004
Departmental Over-Time Expenditures and Variances

Department	Modified Overtime Budget General Fund	Modified Overtime Budget Other Funds	Modified Overtime Budget TOTAL	Overtime Actuals General Fund	Overtime Actuals Other Funds	Overtime Actuals TOTAL	Total Budget to Actuals Variance	% Variance
Airport	\$ -	\$ 406,572	\$ 406,572	\$ -	\$ 197,470	\$ 197,470	\$ 209,102	51.4%
City Attorney	31,068	-	31,068	5,039	-	5,039	26,029	83.8%
City Auditor	-	-	-	-	-	-	-	N/A
City Clerk	1,670	-	1,670	-	-	-	1,670	100.0%
City Manager	83,399	-	83,399	33,547	3,200	36,747	46,652	55.9%
Conv, Arts, & Entertain	-	259,006	259,006	504	221,009	221,513	37,493	14.5%
Economic Development	-	-	-	199	142	341	(341)	N/A
Emergency Services	-	-	-	126	-	126	(126)	N/A
Employee Services	24,755	-	24,755	23,919	-	23,919	836	3.4%
Environmental Services	-	786,510	786,510	(4,092)	714,185	710,093	76,417	9.7%
Finance	25,190	26,114	51,304	9,609	189	9,798	41,506	80.9%
Fire	7,755,505	-	7,755,505	10,010,389	-	10,010,389	(2,254,884)	(29.1%)
General Services	272,481	165,280	437,761	266,654	237,555	504,209	(66,448)	(15.2%)
Mayor & City Council	-	-	-	1,139	-	1,139	(1,139)	N/A
Housing	-	31,880	31,880	-	3,243	3,243	28,637	89.8%
Independent Police Auditor	5,105	-	5,105	3,654	-	3,654	1,451	28.4%
Information Technology	114,011	-	114,011	68,774	24	68,798	45,213	39.7%
Library	144,844	100,000	244,844	174,843	56,053	230,896	13,948	5.7%
Parks, Rec & Neigh Svcs	186,605	-	186,605	160,944	470	161,414	25,191	13.5%
Planning, Bldg & Code Enf	429,416	-	429,416	197,961	1,990	199,951	229,465	53.4%
Police	7,281,615	51,000	7,332,615	5,755,928	39,209	5,795,137	1,537,478	21.0%
Public Works	74,988	1,715	76,703	45,337	434	45,771	30,932	40.3%
Transportation	424,622	374,247	798,869	220,444	282,920	503,364	295,505	37.0%
	\$ 16,855,274	\$ 2,202,324	\$ 19,057,598	\$ 16,974,918	\$ 1,758,093	\$ 18,733,011	\$ 324,587	1.7%